

CVP Cost Allocation Study Decision Paper: Allocation of Joint Costs to the Recreation Purpose

Date

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Purpose of Paper

Recreation occurs at many of the multipurpose reservoirs of the Central Valley Project (CVP). Allocating specific and joint costs to this project purpose would potentially reduce the amount of costs allocated to the water and power customers. However, unless certain specific conditions are met, allocating joint costs to recreation is inconsistent with existing Reclamation Law and policy. This paper provides Reclamation's decision for dealing with this issue.

Background

Because many single- and multi-purpose CVP facilities provide recreation benefits to the public, it has been suggested that joint project costs should be allocated to recreation.

Reclamation has reviewed the CVP authorizing statutes and has not found any express authority which explicitly allows the allocation of joint costs of multi-purpose CVP facilities to recreation. The original act authorizing the CVP as a federal Reclamation project, (50 Stat. 844, Sec. 2), enumerating the specifically authorized purposes of the CVP does not include recreation. However, this act does include the catch-all phrase, "other beneficial uses." Other authorizing statutes specifically authorized recreation at certain CVP facilities (e.g. San Felipe and San Luis Units), but these more recent statutes did not provide project-specific authorization for allocating joint costs to recreation. Section 7 of Public Law 86-488, which authorized the San Luis Unit of the CVP, authorizes the Secretary to construct "minimum basic public recreational facilities" and that the "cost of such facilities shall be nonreturnable and nonreimbursable under the Federal Reclamation laws." Section 2 of Public Law 90-72, which authorized the San Felipe Unit, further states that development of fish and wildlife resources and recreation opportunities "shall be in accordance with the provisions of the Federal Water Project Recreation Act." This act is separate and independent of the CVP.

Section 2 of the Federal Water Project Recreation Act of 1965 (FWPRA) states the conditions under which joint project costs may be allocated to recreation.

FWPRA requires that prior to authorization of a project, a non-Federal public entity must commit, in writing, to administer project land and water areas for recreation or fish and wildlife enhancement in accordance with the approved project development plan; and to bear “not less than one-half the separable costs of the project allocated to recreation, and...not less than one-half the costs of operation, maintenance, and replacement incurred therefor...”.

In the absence of non-Federal entities entering into an agreement prior to project authorization, Reclamation is not aware of any specific conditions under the FWPRA which would allow the allocation of joint project costs to the recreation purpose. Section 3(b) of the FWPRA allows non-Federal public entities, after initial operation of the project, to enter into an agreement having similar conditions stated above which would allow for a portion of the costs of lands, facilities, and project modifications provided for recreation, including operation, maintenance, and replacement costs, to be non-reimbursable. Accordingly, Reclamation has entered into appropriate agreements with non-Federal cost-share partners to allocate costs of recreation-specific, single purpose features or facilities to the recreation purpose. However, such agreements entered into after initial project operation “shall not be the basis for any reallocation of the joint costs of the project to recreation...”.

The Reclamation Manual provides guidance for allocating construction costs under PEC 01-02, Project Cost Allocations. In addition, Reclamation has relied on the above interpretation of FWPRA in the formulation of existing policies on cost allocation for operation, maintenance, and replacement (OM&R) costs. Reclamation Manual PEC P07, Allocation of Operation, Maintenance, and Replacement Costs, paragraph 6 states:

“Allocation of Joint Costs. Joint OM&R costs may be allocated to Irrigation, M&I, Power, Flood Control, Recreation, F&W, and other purposes only on those projects or facilities where Reclamation is specifically authorized to allocate a portion of the construction costs to those respective purposes, or where minimum storage pools or operational requirements specifically serving those purposes have been established in project-specific legislation. The FWPRA, as amended, does not provide “blanket” authorization for allocating joint costs to Recreation.”

While PEC P07 refers to OM&R costs, Reclamation finds this policy instructive with respect to the allocation of construction costs as well. This policy supports the proposition that the FWPRA is not to be read as a general authorization for allocating joint project costs to recreation for any Reclamation project.

Decision

Reclamation finds no existing project-specific authorization to allocate joint costs of multi-purpose facilities to recreation. Therefore, given the lack of project-

specific authorization to supersede the conditions of FWPCA, or a pre-authorization cost-share agreement, no joint CVP costs will be allocated to the recreation purpose.

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